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Article — Digitized Version

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Intereconomics

Suggested Citation: Feuerlein, W. J. (1971) : Evaluation of development projects, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 06, Iss. 2, pp. 43-46, <https://doi.org/10.1007/BF02926067>

This Version is available at:

<https://hdl.handle.net/10419/138442>

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Evaluation of Development Projects

by Professor W. J. Feuerlein, Aachen *

The evaluation of the socio-economic development progress or of the actual accomplishments of development projects in less developed countries is one of the neglected fields of theoretical as well as practical development research. This is most regrettable because a great deal could be learned from such investigations and new projects and programs could be better prepared if meaningful results from such studies were available. The lack of work in this field is difficult to understand because a great deal of raw data are available, which will be permanently lost if researchers and research institutions do not take an interest in them. The lack of initiative in preserving and digesting these raw data and correlating them with additional up-to-date figures means that much of the experience gained in implementing development projects in the past decade or two cannot be brought to the attention of those responsible for new project formulation.

Reasons for Neglection

It is evident that neither the international development institutions nor the U.S. or other Governments have encouraged or pursued themselves such evaluation work; yet these agencies have the raw data available in their files. The reluctance to cooperate in such studies is due partly at least to the fact that these agencies are more interested in obtaining operational type data for immediate use rather than fundamental conclusions as to the development process. Furthermore, research in-depth may reveal questionable forecasts, some unwise judgments and other factors which may not support immediately their work in further development planning. Yet fundamental evaluation studies of the complex nature of the development process could lead to new scientific interpretations and possible new theoretical formulations; it could lead to significant breakthroughs in due course.

The above statement should not be construed to mean that no evaluation studies have been made. Every development agency constantly evaluates its financial and operational performance. These are undoubtedly useful studies, although they are frequently for international use only and are "restricted" from a security point of view or otherwise inaccessible. In any case, they generally do not attempt to evaluate the overall results after a project is finished. Research in this field has been very limited.

An Example of a Case Study

A few case studies exist, but they are isolated instances and do not produce a sufficient volume of comparable data which could lead to meaningful interpretation of the lessons of the past and their formulation into comprehensive new development concepts and models. Furthermore, some recent case studies limit themselves to a narrow "implementation" type of evaluation and do not cover the broader socio-economic aspects of the effect of the project on the development process as a whole. An example is the study of the Hamburg Institute for International Economics, entitled "Rourkela als Testfall" ("Rourkela as a Test for Industrial Projects in Developing Countries") **. On page 450 of this study which evaluates the implementation of the German-financed steel mill at Rourkela, it is stated that the questions concerning the development of the Rourkela region were not included within the terms of reference of the study. It is admitted that there are problems and that there is some danger that the new Rourkela steel plant may be a single industrial achievement, while other needed developments in the project area have not as yet come through as a result of this new enterprise. Thus the real „development" aspect of the project may not be as great as probably should be the case or was envisaged. Other ex-

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** Klaus Roch, Rourkela als Testfall für die Errichtung von Industrieobjekten in Entwicklungsländern, Hamburg 1967, Verlag Weltarchiv GmbH.

amples of this type of study exist. What is needed, however, is a systematic research effort which goes beyond the conventional implementation evaluation.

Systematic Research Needed

In order to be meaningful for future development planning, the research proposed in this article generally involves five basic steps:

The reconstruction of the situation that existed before the project was started and a description, in a systematic fashion, of all elements affecting the project area or field at that time. This analysis should also provide, in broad outline, a projection of the "normal" growth that might have taken place, or lack of such growth, given the existing conditions.

A careful review of the stated objectives, namely, a review of all projected developments which were expected to occur as a result of the project or program, and also a review of all supplementary public and private actions that were urged, or recommended, in the project proposal. As a basis for this analysis the growth projections, cost/benefit calculations, etc., in the feasibility studies and/or project papers, and the assumptions and concepts involved in the planning must be carefully reviewed and evaluated.

The determination of the situation existing at the conclusion of the construction or funding of the project, and annually thereafter as soon as sufficient time has elapsed.

The evaluation of the correspondence and/or divergence between the observed facts and the expected results and thus, the determination of the factors responsible for actually bringing about the growth, the reasons for either faster or slower changes and benefits, factors inhibiting growth, and any other observations relative to the planning and execution of development projects. Often there are also unplanned benefits and side effects which are worth noting and analyzing in terms of the possible factors that produced these results.

A comparison of the conclusions reached in several similar project studies in other areas in order to provide a basis for a judgment concerning general applicability of the conclusions. A synthesis of the foregoing steps will generate feedback information enabling comparisons of development goals with actual results. Such performance data could be invaluable for making future development projects more realistic in relation to the hoped for socio-economic changes.

A great deal of data for an in-depth socio-economic analysis of development accomplishments

is available. Every project was initiated, developed, and carried out on the basis of and accompanied by an elaborate system of reports. Usually there is a preliminary report highlighting a project which then is followed up by a major project study containing a great wealth of information which can be effectively used in later evaluation studies. This historical data should be combined with current up-to-date information concerning the situation existing in the project area. The two sets of data, when carefully analyzed and scrutinized, can be the basis of a meaningful interpretation of actual development accomplishments.

To be more specific, the single most important source of historical and basic data is the feasibility study which in most cases had to be prepared prior to the consideration for funding by an international agency such as the World Bank or by national development authorities, such as the United States' AID. These agencies require the preparation of comprehensive feasibility studies which must analyze the technical, economic and financial soundness of the project; they must be fully documented and statistically complete. Thus, a great deal of raw data is available.

The economic soundness analysis of the feasibility study contains the data most appropriate for socio-economic follow-up-studies. Responsible lending or the funding agencies usually do not approve a project even if technically and financially sound, unless it has also been demonstrated that the project will contribute to economic growth and development of the region in the country where the project is located. The World Bank considers the preparation of these studies so important that it holds regular seminars and training courses for officials and technicians from the developing countries and the Bank has also sponsored a considerable number of studies on the methods for evaluation potential development projects.

Cost-Benefit Analysis

Within a feasibility study submitted as part of a loan application generally is a detailed cost/benefit analysis calculated by the consulting engineers and economists. In this calculation dollar values have been assigned to the direct economic benefits which may accrue to the country as a result of the execution of the project. For an industrial project, for instance, it is suggested that the benefits to be evaluated by the consultants include, among other things, the following:

additional taxes paid to local as well as national government;

more effective utilization of the working force, especially as compared with their present occupations; this would involve a study of increased wages, salaries, etc.;

foreign exchange earnings if the products are expected to be exported, naturally taking into account any import requirements of the project, or foreign exchange savings in case of important substitution projects;

required supplemental industrial or service facilities which must be or should be established in order to support the project.

For a road project, namely a new or greatly improved road opening up an area previously not developed or only in a very limited way, the economic feasibility study must include estimates of

potential increase in the production of all major products in the area serviced by the road;

potential volume of exportable surpluses of these commodities with due regard for world conditions;

general economic effects of the additional commerce as a result of the project.

It is most significant that few, if any, of the detailed cost/benefit calculations and of the socio-economic forecasts have ever been analyzed in later case studies to determine what the actual results have been after a project was finished and in operation for a few years. Publically available studies do not seem to provide this type of analysis and information which could be used profitably by economists and others in the formulation of new development projects and the preparation of more precise cost/benefit analyses in the future. In actual practise the benefits may be larger than calculated and in others they may be smaller; there may be side-benefits not taken into account and there may be adverse develop-

ments which were not fully anticipated when the projections were made.

The Necessity of a Follow-Up Study

The discussions above relate primarily to direct benefits of the project since only direct benefits may be included in the cost/benefit analysis. Yet practically all projects also have indirect benefits, even though no dollar values may be assigned or can be calculated. In terms of the development process these indirect results such as the effect, for instance, on town government in the areas by the projects, social and political changes, improved education, etc., may be extremely significant whether predictable or not and whether favourable or in some cases even unfavorable. Few if any follow-up studies of these indirect effects have been made.

Additional and supplementary data for the in-depth evaluation studies can be found in the progress reports prepared during the implementation period. All project authorities are required to submit such reports to the funding agencies reporting whether the project is moving according to plan or whether weaknesses have developed which need follow-up work, corrective action, etc. These implementation reports are available in the archives of the project authorities and of the funding agencies. They can be an important source of data to make comparative studies of similar types of projects in different regions or in different countries.

Comparative Studies Relevant

In order to be meaningful it is not enough to make one or two case studies here or there. What is needed is a large number of studies of similar types of projects which can then be compared. The analysis and the problems in one country may show similar or dissimilar benefits and conclusions with those in another. In order



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to undertake such comparative investigations, all case studies have to be well structured and must have a reasonable degree of comparability re terms of reference, parameters, assumptions, etc. It would then be possible for researchers to reach reasonably valid conclusions concerning the development process as shown through the experience of past project performance.

The preparation of meaningful in-depth socio-economic studies of the development process will take time. This may be one of the many reasons why such investigations have been neglected as compared with other types of research. Development authorities, whether they be the international institutions or national governments, are usually impatient and want data which can be used immediately for new operations or improved project implementation. A thorough evaluation effort cannot be done on short notice. Yet, if the evaluation effort had been started some years ago some meaningful results would now be available. In Latin America this would be particularly significant since the "First Decade" of the Alliance for Progress is now drawing to a close; the "Second Decade" should be based upon the experience of the first. If in-depth studies were now available the conclusions could make the planning for the "Second Decade" much more significant and meaningful.

Cooperation between Organisations Essential

For the research suggested in the article, the full cooperation of the International Bank for Reconstruction and Development, and of the United States and other national governments' foreign assistance agencies is needed. These institutions in fact should take the initiative and should fully participate in the research effort. Without this cooperation researchers are often stymied as the raw data in the agencies' files are generally not truly available, or are restricted in


use. The limitations imposed by government and international institutions must be removed and access to the documents both in the headquarters of the agency and in the field should be freely available to the researchers, and the conclusions and the analysis made by the researchers should not be subject to screening. The problem naturally is that some of the agencies or their officials may be reluctant to release data which may show unwise decisions, over-optimistic predictions, etc., especially if the officials themselves are still in the agency and in a leading position for new project approvals. Thus it is a sensitive area of research involving also many foreign relations aspects. Yet this research should be undertaken by disinterested researchers, such as can be found in academic institutions.

Large Potential Research Results

In summary it may be stated the in-depth socio-economic studies of finished development projects can yield a large amount of meaningful data and conclusions, leading to

- a better comprehension of the development process and thus the formulation of better conceived development plans;
- more accurate preparation of new development projects and especially much sharper and preciser cost/benefit analyses;
- more certainty that the project implementation will be faster and more in line with projected plans;
- fewer failures in obtaining the overall benefits of the development effort.

In addition to the practical benefits, existing theoretical concepts and models can be refined and enlarged. The academic community and the development agencies thus stand to gain greatly by sponsoring and undertaking this research.

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